





2011 CalPERS Health Plan Rate and Benefit Changes Seminar
CalPERS Preferred Provider Organization (PPO) Plan – Anthem Blue Cross



2011 CalPERS Health Plan Rate and Benefit Changes Seminar
CalPERS Preferred Provider Organization (PPO) Plan – Anthem Blue Cross

PPO Plan Options

- PERSCare
 - Longest standing plan design
 - Full Anthem Blue Cross PPO network access
 - Highest level of coverage
- PERS Choice
 - Most popular plan by enrollment
 - Full Anthem Blue Cross PPO network access
 - Competitive coverage, competitive premium



2011 CalPERS Health Plan Rate and Benefit Changes Seminar
CalPERS Preferred Provider Organization (PPO) Plan – Anthem Blue Cross

PPO Plan Options (continued)

- PERS Select
 - New plan design introduced January 2008
 - Subset of Anthem Blue Cross PPO network
 - Same coverage as PERS Choice available, lowest premium



PPO Plan Comparison

- Similarities between PPO Plans
 - \$500 Calendar Year Deductible
 - \$20 Office Visit Co-pay
 - 100% Routine/Preventive coverage
 - \$50 Emergency Room Deductible



PPO Plan Comparison (continued)

- Differences between PPO Plans
 - 90% coverage on PERSCare; 80% coverage on PERS Choice and PERS Select
 - \$3500 Physical Therapy Maximum on PERS Choice and PERS Select; No Maximum on PERSCare
 - Chiropractic & Acupuncture limited to 15 visits on PERS Choice and PERS Select; 20 visits on PERSCare



How the PPO Plans Work

- Services that do not apply to the \$500 calendar year deductible
 - Physician office visits
 - Routine/preventive visits
 - Prescriptions
- For other services, your deductible does apply. After the Deductible is met the percentage based benefit (90% or 80%) will begin



How the PPO Plans Work (continued)

- The Coinsurance (10% or 20%) will apply towards the Calendar Year Maximum Out of Pocket (\$2000 or \$3000)
- Services for Non-Participating Providers are reimbursed at 60%. The 40% Coinsurance does not apply towards a Maximum Out of Pocket



PPO Plans Medical Benefits Changes Summary

	PERSCare	PERS Choice	PERS Select
Lifetime maximum coverage limit of \$2 million being removed		✓	✓
Introducing Value Based Purchasing design for hip and knee joint replacement surgery	✓	✓	✓
Introducing Narrow Hospital Network to produce additional premium savings			✓



Value Based Purchasing Design (VBPD)

- This pilot program targets hip and knee joint replacement surgery
- These expensive procedures are rapidly growing in frequency
- PPO hospital charges for hip and knee joint replacement surgery vary greatly between facilities – even in the same zip codes – without any clinical evidence of differences in quality or outcomes



Value Based Purchasing Design (VBPD) (continued)

- Benefits for these procedures at facilities designated in the VBPD pilot will apply in accordance to the member's plan
- Benefits for these procedures not performed by a VBPD pilot facility will be limited to \$30,000 per procedure
- Total of 44 hospitals chosen as Value Based Purchasing facilities



Narrow Hospital Network (PERS Select)

- Billed charges for PPO hospitals vary greatly with no correlation in quality of care or outcomes
- Two Tiered Hospital Benefits
 - Inpatient and Outpatient services at Tier One hospitals will be covered at the existing Par coinsurance (80%) and maximum out of pocket plan provisions (\$3,000/\$6,000)
 - Inpatient and Outpatient services at Tier Two hospitals will be covered at a lower coinsurance (70%) and higher maximum out of pocket plan provisions (\$6,000/\$12,000)



Narrow Hospital Network (PERS Select) (continued)

- The value of using more cost effective Tier One hospitals produced lower 2011 premium rates
- With identical coverage as PERS Choice available, 2011 PERS Select premiums will be approximately 13% lower than PERS Choice
- Total 159 hospitals chosen within Tier One




2011 CalPERS Health Plan Rate and Benefit Changes Seminar
 CalPERS Preferred Provider Organization (PPO) Plan – Anthem Blue Cross

Locating a Provider at www.anthem.com/ca/calpers

- Click “Find a Doctor” link on the home page and follow the prompts






2011 CalPERS Health Plan Rate and Benefit Changes Seminar
 CalPERS Preferred Provider Organization (PPO) Plan – Anthem Blue Cross

Website and Wellness Services


- 360° Health Services
 - ConditionCare: Asthma, Diabetes, COPD, CAD, HF
 - Future Moms
 - 24/7 NurseLine coupled with comprehensive Audio Library
- SpecialOffers Discount Programs
 - Complementary and Alternative Care: massage therapy, acupuncture, chiropractic
 - Club Memberships: Curves, Bally's, Anytime Fitness
 - Weightloss: Jenny Craig, Weight Watchers
 - Smoking Cessation Program




2011 CalPERS Health Plan Rate and Benefit Changes Seminar
 CalPERS Preferred Provider Organization (PPO) Plan – Anthem Blue Cross

Website and Wellness Services (continued)

- On-Line Resources @ www.anthem.com/ca/calpers
 - WebMD
 - MyAnthem
 - MyHealth Record
 - Claims status
 - Treatment Cost Advisor
 - Anthem Care Comparison - Hospital Comparison Tool
 - Healthy Living
 - Kids In Charge of Calories (KICK)




2011 CalPERS Health Plan Rate and Benefit Changes Seminar
 CalPERS Preferred Provider Organization (PPO) Prescription Benefit – Medco



CalPERS Health Plan Rate and Benefit Changes Seminar
 CalPERS Preferred Provider Organization (PPO) Prescription Benefit – Medco

About Medco

- Provides pharmacy benefit management services for approximately 65 million Americans
- In 2009, managed 695 million prescriptions (103 million prescriptions through mail service), operating at better than Six Sigma quality levels
- Partners with approx. 60,000 retail pharmacies nationwide
- In 2009, 27.5 million prescriptions were processed through medco.com
- 12,000+ of the new prescriptions each week are ePrescription



CalPERS Health Plan Rate and Benefit Changes Seminar
 CalPERS Preferred Provider Organization (PPO) Prescription Benefit – Medco

About Medco (continued)

- In 2010, Medco captured the No. 1 position in the Health Care sector on Fortune's Most Admired Companies List for the third consecutive year. In this sector, Medco ranked No. 1 in five attributes: innovation, use of corporate assets, quality of management, financial soundness, and quality of products/services.
- Medco pharmacists are specialists, trained to support patients with specific conditions such as diabetes, asthma and cardiovascular disease



Prescription Benefit Basics – Drug Types

- Preferred brand medications
 - Brand preferred by the plan based on an independent clinical review board decision
 - Original manufacturer still holds patent
 - No generics available yet
 - Example: Crestor



Prescription Benefit Basics – Drug Types (continued)

- Non-preferred brands
 - Brand not preferred by the plan based on an independent clinical review board decision
 - Alternative generics and/or brand medications are available
 - Example: Prilosec
- Generic medications
 - Usually available from many manufacturers
 - Less costly than brand medications
 - Example: acyclovir



Prescription Benefit Basics – Drug Types (continued)

- OTC (over-the-counter)
 - Not covered by CalPERS except diabetic test strips, insulin, and lancets
 - Several key prescription drugs were recently approved for OTC sale, including Claritin, Prilosec, and Zyrtec
 - New for 2011: Prescription medications with an OTC equivalent are not covered



Prescription Benefit Basics – Drug Types (continued)

- Specialty drugs
 - Many require injection or IV infusion
 - May require special safety monitoring, patient training and coordination of care
 - Unique requirements for handling and storage
 - Often used to treat patients living with severe, chronic conditions, such as multiple sclerosis, pulmonary hypertension, and hemophilia
 - Examples: Enbrel, Recombinate



Prescription Co-pays

	Retail (30/34 day supply)		Mail Order (90 day supply)
		Maintenance medications after 2 nd refill	
Generic drugs	\$5	\$10	\$10
Preferred brand drugs	\$15	\$25	\$25
Non-preferred brand drugs	\$45	\$75	\$75
Lifestyle medications*	50%	50%	50%

* Medications such as Viagra, Levitra and Cialis



Prescription Co-pays (continued)

- Out-of-pocket (OOP) maximum at mail is \$1,000 per calendar year; once a member incurs a \$1,000 at mail, the mail service co-pay is \$0 for the remainder of the year
 - New for 2011, non-preferred medications will be excluded from the OOP maximum
- Prior authorization may be required for some medications.
- Upon approval, some non-preferred medications are eligible for a partial co-pay waiver
 - New for 2011, if granted, the non-preferred co-pay at retail is \$40 and at mail is \$70



Prescription Co-pays (continued)

- Refer to medco.com for preferred drug status and to identify other preferred medications and savings opportunities



Preferred Drug List (Formulary)

- A formulary is a list of generic and brand-name drugs that are preferred by the plan
 - The formulary list offers member choice while helping to keep the cost of the prescription drug benefit affordable
- The list is developed by a clinical committee of national medical experts
 - The committee meets at least quarterly to make updates.
 - Medco notifies patients when there will be a change in status of their drug that will result in a higher copay.



Preferred Drug List (Formulary) (continued)

- Members can refer to www.medco.com or call member services to determine if a specific drug is preferred.





Getting Started with Mail Prescriptions

- Ask doctor to prescribe for 90 day supply and refills for up to 1 year, if appropriate
- Send prescription to Medco
 - Doctors – send via fax or electronic transmission (eRx)
 - Patients – send via mail
 - Mail order form and address available by calling 800-939-7091 or by visiting www.medco.com/calpers



Getting Started with Mail Prescriptions (continued)

- Delivery timing
 - Members should have at least a 14 day supply of medication on hand when ordering
 - New prescriptions delivered 8 days and refills 3-5 days after order is received
- Payment
 - Can be made by credit card, check, money order or e-check
 - Standard shipping is free
- Pharmacists are available 24/7 to speak with patients



Getting Started with Mail Prescriptions (continued)

- Refills can be ordered by phone (800-939-7091) or www.medco.com/calpers or you can join Medco's Worry Free Refill program
- Packaging
 - Most orders are sent via U.S. mail in a tamper proof envelope
 - Some medications that are refrigerated or frozen will arrive in special packaging
 - Includes a literature pack



Getting Information about the Prescription Benefit Before January 1st

- What type of information can I get before January 1st?
 - Copays and other prescription benefit highlights
 - Compare prescription medication costs
 - Use My Rx Choices, Medco's tool to identify savings opportunities
 - Find a local, participating retail pharmacy
 - Determine the formulary or preferred drug status of your medications
 - How to get started with Medco's mail service



Getting Information about the Prescription Benefit Before January 1st (continued)

- How can I get information?
 - Call Medco Member Services at 1-800-939-7091
 - Press "1" to speak to an Open Enrollment representative
 - Visit the open enrollment website at www.medco.com/calpers
 - You may then select information about the plan from the right hand side of the web page; you will be taken to the open enrollment website for the benefit you selected.



Member Support

- Member Service – 800-939-7091
- New member materials
- Periodic communications
 - Letters to remind members to use My Rx Choices, announce new generics, introduce new prior authorization edits and more
- Medco website – www.medco.com/calpers
- Brochures – open enrollment, benefit fairs



Medco.com Features

- Medco Health Store™
 - Enhanced online drugstore that offers over 25,000 nonprescription health, wellness and personal care products.
- "For Your Dr. Visit"
 - Members may view and print a personalized prescription history, pharmacy benefit overview, formulary guide and a new prescription fax form to share with their physician.



Medco.com Features (continued)

- My Rx Choices
 - Provides members with personalized reports that compare medications they are taking on an ongoing basis to any lower cost alternatives available under your plan.





Helpful Websites and Phone Numbers

- | | |
|---|---|
| • CalPERS <ul style="list-style-type: none">- www.calpers.ca.gov- 888 CalPERS (or 888-225-7377) | • Blue Shield of California <ul style="list-style-type: none">- www.blueshieldca.com/calpers- (800) 334-5847 |
| • Anthem Blue Cross <ul style="list-style-type: none">- www.anthem.com/ca/calpers- (877) 737-7776 | • Kaiser Permanente <ul style="list-style-type: none">- www.kp.org/calpers- (800) 464-4000 |
| | • Medco <ul style="list-style-type: none">- www.medco.com/calpers- (800) 939-7091 |

2011 CalPERS Health Plan Rate and Benefit Changes Seminar
Southern California Sessions

Date: July 30, 2010
Segment: Health Plan Rate and Benefit Changes Seminar
Host: Pamela Goldberg
Guests: Mark Johnson, Anthem Blue Cross
Gloria Feldman, Medco

Video Transcript

Pamela Goldberg:
We'd like to invite Mr. Mark Johnson of Anthem Blue Cross.

Mark Johnson:
Good afternoon this southern California. I have a total of 14 slides that I'm going to be going over. The first several slides are basically an overview of the PPO plans, how they work, the differences between the three separate plans.

On the first slide, as a lot of you may know, the CalPERS sponsors and offers three separate self-insured PPO plans called PERSCare, PERS Choice, and PERS Select. PERSCare has been in place the longest amount of time. I believe this plan was originally introduced in the 1970s. It does have the highest level of coverage after the deductible. It is a 90/10 plan. And it does have the full Blue Cross PPO network available to it.

The PERS Choice plan that is by far the most popular of the three PPO plans. In fact about 90% of all the enrollment in the three PPO plans is enrolled in the PERS Choice plan. And also on top of that, virtually all out-of-state retirees that are under age 65 are enrolled in the PERS Choice plan. The PERS Choice plan has 80/20 coverage after the deductible, in comparison with the PERSCare 90/10 coverage. It also like PERSCare offers a full access to the Blue Cross PPO physician network which is over 55,000 physicians statewide, and approximately 380 hospitals. I, having been in the business as long as I have, I can tell you honestly that on a competitive basis, compared to all other PPO plans that are offered in both private and public employers, that the PERS Choice plan stacks up very well. Now the third plan is the PERS Select plan. PERS Select is a new plan that was offered originally in January 2008. It basically has the same coverage available as the PERS Choice plan. Where it is different is that it uses a more select physician network than the full networks that are available under PERSCare and PERS Choice. Approximately 60% of the physicians in the PERSCare and PERS Choice network are available under PERS Select. They are known as Select physicians. We are taking that one step further in 2011 by introducing a narrow hospital network and I'll go over that in a couple of slides. Again, the main focus on the PERS Select plan is offering the most premium competitive plan as possible and in fact in 2011, overall PERS Select will be the lowest priced plan in the entire CalPERS health benefits

2011 CalPERS Health Plan Rate and Benefit Changes Seminar
Southern California Sessions

program. And it is able to do that by using a more cost efficient physician network and we're also rolling out a more cost efficient hospital network.

In terms of the PPO plan comparison, looking at the three separate plans, they do have various similarities. They do have the same \$500 annual deductible. They do offer the same \$20 office visit copay. They do provide 100% routine and preventive coverage and a \$50 emergency room deductible applies to all three plans. In terms of differences in the three plans, as discussed before, the PERSCare plan is the highest level of coverage being a 90/10 plan after the \$500 deductible. Whereas PERS Choice and PERS Select are 80/20 plans. PERSCare has several benefit levels which are of a higher nature, richer nature, than PERS Choice and PERS Select. Physical therapy is one. Chiropractic and acupuncture coverage is another. Now all three PPO plans essentially work in the same manner in that first a \$500 deductible has to be met before certain services such as hospitalization, surgery, behavioral health coverage, imaging services, things of that nature, the whole myriad of medical expenses, are covered. So once an individual has met their \$500 deductible, then for PERSCare coverage, the next rack of bills that come in, the plan pays at a 90% level, the members pays a 10%. Under PERS Choice and PERS Select, the member would be responsible for 20% and the plan pays 80%. Now the PERSCare plan has a lower level where the member's 10% coinsurance has been, has a maximum set for it. And that's \$2,000 per individual, \$4,000 per family. Under PERS Choice and PERS Select, the maximum copayment amount is \$3,000 for an individual and \$6,000 for family.

Also for prescription drug coverage, and that'll be covered by Medco the next speaker, are exactly the same on all three plans.

A lot of people ask me--because I handle a lot of health fairs myself--a lot of people come up to me and they ask "Why should I have the PPO coverage?" Well, I ask people to consider this one key point or question they should ask themselves: "Am I willing to share more in plan expenses, medical expenses under a PPO plan?" Because clearly in the PPO plan you will share more in expenses than you would under an HMO plan because there is a deductible and there is coinsurance. But the flip side of the coin in this proposition is "Am I willing to share more in expenses to have unrestricted freedom to choose and direct my medical care? I direct who I go to, where I go, when I go." And I think the more discriminating people are about what type of providers they want to see, PPO plan coverage might make a lot of sense. That's a factor I always ask people to ask themselves if they're interested in PPO coverage.

All three plans also share the same characteristic is that if non-participating providers are used, then the plans pay at a 60% level. And also with using non-participating providers, there is no guarantee that that particular provider will not charge a reasonable and customary fee. So a person opens them up to more expenses beyond the pure 60/40 proposition.

2011 CalPERS Health Plan Rate and Benefit Changes Seminar
Southern California Sessions

Now I'm going to get into some plan changes for 2011. This is a summary chart that shows these three more substantive changes that we're making in the plans. Because of health care reform, the prior \$2 million lifetime maximum under PERS Choice and PERS Select are being removed as of 2011. That is because of health care reform. Now on all three plans, PERSCare, PERS Choice and PERS Select, we are introducing a pilot program called a Value Based Purchasing Design, specifically for hip and knee joint replacement surgery. And I will get into that in just a moment. We are also introducing into the PERS Select plan a narrow hospital network. And I will have an additional slide on that.

I'm getting to the Value Based Purchasing Design. The core of this is that in the past several years the single highest cost driver in health care costs has been hospitalization charges. We've been largely able to keep professional charges somewhat in line but hospital charges are taking a bigger and bigger chunk out of the health care dollar. We also know for a fact that hospitals all through California typically charge different fees for performing the same exact service. I'll give you an example. Hip and joint replacement surgery are something which is a wonderful new advance in orthopedic surgeries. Even my best friend, he has a double knee replacement. But these are very expensive procedures. The frequency of these procedures have just been going up through the roof the past few years. It's a wonderful thing that a lot of people are getting new hip and joint replacements. However, we know that hospitals around the state some charge \$85,000, sometimes even more for this service and yet you may have a hospital three miles away in the same general area that may charge under \$30,000 for the same scope of services. That happens every day in California. So what we've done at Anthem Blue Cross working with the CalPERS board and CalPERS staff is that we've created a specialized network of 44 hospitals throughout California--and these are some of the elite hospitals such as UCSF, Stanford, St. John's in Santa Monica, Cedars Sinai in Los Angeles—and they have agreed that for a threshold level of \$30,000 that they will cover a normal knee and hip replacement in total. So what this is trying to do is we're trying to acknowledge the fact that hospitals all through the state charge different levels for the same service and by creating this specialized network, that we will be able, that we pick number one providers that do this in great frequency so they have gotten quite good and efficient at these procedures, and that we're able to keep a lid on cost. This is a pilot program. If it works well I can see this being rolled out to more procedures in the future. Now if an individual has a knee or hip joint replacement at a hospital which is not one of the 44 designated hospitals, any charge beyond \$30,000 for the hospital fee, they would have to pay the difference. Now, we will have a procedure in place, all surgeries have to be pre-certified with the Blue Cross nurse line. So we will have the ability to advise someone that you may want to think twice about going to a hospital which is not one of the 44 designated because you are possibly exposing yourself to more out-of-pocket expenses.

2011 CalPERS Health Plan Rate and Benefit Changes Seminar
Southern California Sessions

Now the next program we're rolling out is the narrow hospital network but this is only for the PERS Select plan. And again, we're addressing the same theme that hospitals throughout California charge a great, there's a great variance in fee charges for the same procedures.

We have created a special network of approximately 160 hospitals all through California--that's about 42% of our full network of hospitals--that have qualified for Tier One status. All the other participating hospitals in our network are going to be known as Tier Two hospitals. And frankly who qualified for Tier One is largely based on the costliness of their fees. These are more cost efficient hospitals. The proposition is that you can receive the same coverage levels that you presently have in the PERS Select plan, that is the 80/20 proposition for hospital charges after the \$500 deductible if you use Tier One hospitals. IF you use Tier Two hospitals, the coinsurance level drops to 70% and the maximum out-of-pocket doubles. An individual could be out possibly \$6,000 rather than the \$3,000 if they use a Tier Two hospital. So in all PPO plans, to make it work the way it's designed, you have to have a financial disincentive for someone not to use the plan the way it's designed. Well, the payoff by making this narrow hospital network is that we were able to take the premium differential which presently exists between PERS Select and PERS Choice which right now is 6% and more than double that for 2011. For the ability to have the same available benefit coverage, PERS Select is 13% lower than PERS Choice in the year 2011. That's a compelling premium differential. That's what the value proposition is. Hey, these are tough times. People are having a tougher time paying for all their costs, their share of premium costs as well. And these programs, particularly the narrow network on the PERS Select plan directly addresses what's causing a lot of the problems very, very high hospital costs, that vary greatly from hospital to hospital, even in the same communities.

Like all the carriers, we have set up a cobranded microsite with CalPERS, it's a joint microsite between CalPERS and Anthem Blue Cross. It's chock full of information. Anything anybody would want to be able to find is available on this microsite. One of the key components of the microsite is what we call provider finder, and on the home page, there's the picture of a very friendly physician there and that's the link you use to find out who's participating in which networks. And in time, probably in a few weeks, we will have loaded into that microsite and into the provider finder which hospitals constitute the Tier One versus Tier Two on the PERS Select plan and we will also have in that microsite the identity of the 44 hospitals that will be serving as the special designated hospitals for the knee and hip joint replacement.

Like all carriers, Anthem Blue Cross provides the full array of disease management programs. Asthma, diabetes, COPD, congestive heart failure and CAD. We also provide a program called Future Moms which is designed to help out high risk pregnancy mothers. And we also have a 24/7 nurse line available. My wife used to actually be one of those 24/7 nurse line nurses and I can't tell

2011 CalPERS Health Plan Rate and Benefit Changes Seminar
Southern California Sessions

you what a wonderful program it is, but not enough people use it. Basically at the tip of picking up your telephone, you can call, you talk to a live nurse, they use physician protocol. And it sure beats going to a doctor's office and sitting there for two hours. If you get the same advice on the phone through physician-computer protocol and an RN and it sure beats going to an emergency room and sitting there for five hours. So I would encourage people to try to promote the use of that.

And we also at Anthem Blue Cross provide a whole array of discount programs which are all loaded here on this particular screen. And again we have other types of really valuable services on our microsite. Web MD is one. You can have your own health record online. You can review your claim status online. We also have treatment cost advisory and we have a new program called Anthem Care Comparison where you can actually get hospital comparison. It's a hospital comparison tool on actual costs. And I think really in my opinion, having been in the business as long as I have, that perhaps the new narrow network that we're going to be introducing to the PERS Select plan, may be a trailblazer because in terms of being an insurance company, we've tried everything to control costs. We've created networks, and now let's try, now is basically the time to take those networks and actually make them even smaller and more cost efficient.

And I'll be available later during the question and answer period. Thank you very much for listening to me.

Pamela Goldberg:

Thank you Mark. Next we'd like to invite the representative from Medco Gloria Feldman.

Gloria Feldman:

Thank you Pamela. Medco is the pharmacy prescription benefit provider for the PERSCare, PERS Choice and PERS Select plans as Mark mentioned in his presentation. I'm going to start off by telling you a little bit about Medco. Medco provides pharmacy benefit management services for approximately 65 million Americans. And last year we managed just under 700 million prescriptions through Medco and 100 million of those prescriptions were through our Medco mail service pharmacy. We partner with approximately 60,000 retail pharmacies nationwide. Our retail pharmacy network does include all major chain pharmacies and most independent pharmacies. In 2009, Medco processed approximately 27 million prescriptions through our website. And we're starting to see an upward trend in getting e-prescriptions from doctors rather than written prescriptions or faxed prescriptions.

One thing that Medco is very proud of is in 2010 we captured the #1 position in the health care sector on Fortune's most admired companies list for the third consecutive year. And we were ranked #1 in several attributes in this write-up including innovation and quality of products and services. And I think one of

2011 CalPERS Health Plan Rate and Benefit Changes Seminar Southern California Sessions

those innovations can really be seen in the last bullet in this particular slide, which is Medco has over 1,100 specialist pharmacists in our mail service facilities throughout the country. These specialist pharmacists are trained to support patients with specific conditions such as diabetes, asthma and cardiovascular disease.

Next I'm going to talk a little bit about different drug types. You may have heard some of these terms before. The first drug thing I'll talk about is preferred brand medications. These are medications that are preferred by the plan and they are designated as such by an independent clinical review board decision. These are typically medications that only have, are manufactured by one company. There are not multiple sources of the medication out there and there's no generic available. An example of this type of a drug would be Lipitor.

If we move along, I'll tell you a little bit about non-preferred brand medications. And those are also designated by the same independent clinical review board. These are medications that have other options available, either a generic or another brand alternative.

The next category on this slide is generic medications. These are medications that are available from multiple manufacturers and they're significantly less costly than their brand name counterparts. They're safe and effective and have the same active ingredients as the brand name medication.

The next category I'll talk about is over-the-counter products. Over-the-counter medications are generally not covered under by CalPERS with the exception of diabetic test strips, insulin and lancets. And something I want to point out here on this slide that's new for 2011 is prescription medications that have an over-the-counter alternative available are no longer going to be covered under the plan. An example of the types of medications that fall into this category are some of the allergy products such as Xyzal, Allegra-D, Fexophenadine. There's some other drugs that will be impacted as well and a couple other examples would be Zantac, Pepcid and Hydrocortisone. I will tell you that members who are on a prescription medication that will no longer be covered in 2011 will see, will receive a targeted communication letting them know that, and we will include that communication what their over-the-counter alternatives would be.

The last drug type I will tell you a little bit about is specialty drugs. Specialty drugs are typically high cost medications that sometimes require injection or an IV infusion. They will require special safety monitoring often times patient training might be required for the administration of the drugs. They sometimes come in unique packaging arrangements, they might need to be frozen or refrigerated in the shipping process. And Medco has a specialty pharmacy called Accredo where we have high touch interaction with patients who are on specialty medications. These are folks who have severe diseases, chronic conditions such as multiple sclerosis or hemophilia.

2011 CalPERS Health Plan Rate and Benefit Changes Seminar Southern California Sessions

The next part of our presentation I'm going to get into is going to talk about the prescription benefits specific to CalPERS. The copays by and large are not changing for 2011. One of the changes I will note is--you'll see it on the last line of the slide there--it says lifestyle medications. Those will now be covered at a 50% coinsurance at retail and mail and these include the erectile dysfunction products such as Viagra, Levitra and Cialis. The copays regardless remain the same for \$5 generic copay at retail, \$15 preferred brand copay and \$25 non preferred brands. I do want to point out the second column in this chart references maintenance medications. This is one important feature members should know about the benefit. If they are on a maintenance medication and they choose to continue to fill it at retail after two fills they will pay an increased copay. So the copay would go up from \$5 up to \$10 for generics, from \$15 to \$25 for the preferred brands and from \$45 to \$75 for the non-preferred brands. And this is, members get either a 30 or a 34 day supply at retail. Whereas they could spend the same cost, the \$10-25-75 at mail order and get a 90 day supply. So it's really a financial benefit for members to go ahead and switch to mail.

The next slide talks a little bit more about prescription copays and one of the other items that's going to be changing for 2011. Currently there is an out-of-pocket maximum at mail of \$1,000 per calendar year per patient. So any drugs that are currently being filled at mail count towards that out-of-pocket maximum, and then once it's reached, the copay drops down to zero dollars for the member for the remainder of the year. The change that's being made for 2011, excuse me, is non-preferred medications which we talked about earlier, will be excluded from the out-of-pocket maximum. So only generic products and preferred products will be included in the \$1,000 out-of-pocket max.

The last change I want to point out on this slide that is coming for 2011 is related to the partial copay waiver. You may have heard of this. For some members who are taking a non-preferred medication, they could be eligible to receive a partial copay waiver. For instance if they're not tolerant to the non-preferred medication, I'm sorry, they're not tolerant to a generic or alternative medication and they must take the non-preferred medication, they can go through a review and get approved for a partial copay waiver. That copay waiver is increasing this year from \$30 at retail to \$40 and then from \$45 at mail to \$70. So that is a change that should be noted for the 2011 plan year.

Members can find out about their prescription coverage and copayments by visiting Medco.com or also calling our member services number.

Okay. The next slide will talk a little bit about our preferred drug list, also called a formulary. You might've heard that term before. A formulary is a list of generic and brand name products that are preferred by the plan. The formulary is developed so it offers members a choice in products while also helping to keep the cost of the prescription benefit affordable. The list is developed by a clinical

2011 CalPERS Health Plan Rate and Benefit Changes Seminar Southern California Sessions

committee of national medical experts, and that committee is made up of pharmacists and physicians and they meet quarterly to discuss updates to the formulary. One item I want to point out here is if there is a change to the formulary and it impacts members--where the product they might be taking today is a preferred product but tomorrow it might be a non-preferred product, and therefore have an increased copayment--we always notify the members of those changes so that they're not surprised when they go into the pharmacy.

Members can get information about the formulary on medco.com or by calling our member services number.

The next thing part of the presentation I'll get into is getting started with mail order prescriptions. We talked about earlier how mail order has a real advantage financially for members. To get 90 day supply of medication also offers a number of conveniences as well. There's some steps listed here in the presentation on how a member can get started on mail order. And the first step is by talking to their doctor and letting them know they would like to get a prescription for a 90 day supply and refills for up to one year, if appropriate. Those prescriptions can be sent to Medco either by the doctors--they can fax the prescription to Medco or they can send it via an electronic prescription like I mentioned earlier. Patients can also send in the prescription via mail as well. When a member is first starting on mail order, we like to ask they have at least a 14 day supply of their medication on hand. We want to ensure that there's not going to be any break in therapy when they get their prescription. We don't want them waiting around for their mail order to show up. So, it's sometimes good to get a short term supply at retail while you're waiting for that mail order prescription to arrive. New prescriptions are generally delivered in 8 days from the date that we receive the prescription in-house at Medco. And then refills are delivered to the member 3 to 5 days after the order is received at Medco. Members have a lot of opportunities or options I should say to pay for their prescriptions. They can pay by credit card, check, money order or e-check, and then standard shipping for medications is free. And of course a pharmacist is available to talk to members 24 hours a day, 7 days a week. Refills can be ordered online at the customer service phone number through our website. Or a new feature that we have that just came out last year is called Medco's Worry-Free Refill program. And this is a program that members can elect to opt into. They can elect by medication if they're interested in having that particular medication on the Worry-Free refill program, and what it does is it will automatically refill the product for you when it's available for fill. So you don't have to remember to go onto the website and order that refill. This program is optional and can be turned off or on at any time. Orders are typically sent via US mail in a tamper-proof envelope and some medications that need to be refrigerated could arrive in special packaging. And then each prescription is sent with a literature pack as well.

The next section I want to talk about is how can your members get information about the 2011 benefit before January 1. Members want to go out there and be

2011 CalPERS Health Plan Rate and Benefit Changes Seminar Southern California Sessions

informed about what their options are, and see if, if this product works for them. So we have a couple ways that they can do that. And they're actually listed on the following slide but basically members, prior to electing their benefit design, can either call customer service or log onto our website to get information about their copays, find out if a particular drug is covered, maybe they're worried about one of these prescription products that has recently gone over-the-counter and think that's maybe not covered under the plan. There's ways for them to call in and get that information or go onto our website. Listed here on the screen is the member services number. What they need to do when they call this number to get this prospective information is actually press 1 and they will be directed to an Open Enrollment representative. And then the second way is through the Open Enrollment website at medco.com/calpers. There is a section on the website here on the right hand navigation bar that says learn more about your prescription benefit and that is for prospective members to log in and find out what the coverage is.

The next slide talks about how Medco provides support to your members. Obviously we have a customer service number that folks can call. We're also providing new members who sign up to the plan with a Welcome Kit that tells them all about Medco and how to get started with mail and what their benefits are. We also send periodic communications out announcing plan changes and other features that Medco has to offer. Of course we've got our website that's specific to CalPERS, the medco.com/calpers. And then we also have brochures and materials that can be available for you and your staff at the health benefits offices to help support enrollment fairs and benefit fairs.

The last two slides of the presentation talk about Medco's website, medco.com and some of the features on the website. The first one here that's listed, this is relatively new, came about last year, is called the Medco health store. And basically it's an online drug store, similar to the products you could get at Walgreens. You can order on the Medco health store. They're not part of the prescription benefit but it's just a nice to have add-on for members. There's a For Your Doctor Visit section where a member can print information about their prescription history and take it with them to a doctor's visit to talk about any potential changes. And the last thing that I'll talk about is the My Rx Choices cost-savings comparison tool that's on Medco.com. I would highly recommend you have your members check this out. It's a really great way for them to see how they might be able to save money on switching to perhaps a generic product or moving their prescription to mail.

I want to thank you for allowing me to spend time to share information about Medco today, and I look forward to taking questions at the end of the seminar.

**Anthem Blue Cross (PPO)
PERS Care/ PERS Choice / PERS Select
Questions & Answers**

Q. What is the annual amount to calculate for an employee (1-party) who uses in-network providers—is it \$500 deductible plus \$3,000 out-of-pocket for a maximum of \$3500?

A. That is correct, plus applicable copayments (e.g. office visits, prescriptions, ER use)

Q. Under a PPO, are we going to maintain the \$20 copay office visit for a Primary Care Physician as well as specialist visit--or is a specialist visit increasing to \$30 copay?

A. There are no office visits changes in the PPO plans for 2011.

Q. Please clarify -- For out of network doctors in the PPO plan, is it the Payment 60% of "reasonable and customary" or 60% of the CalPERS PPO negotiated rate with the in-network providers?

A. It is 60% of the fee level that would have been paid for a participating provider.

Q. PPO Plan: Is the \$3500 the maximum for Physical Therapy and why isn't it higher?

A. This maximum amount has been in place for many years and there has not been evidence that this annual amount is inadequate.

Q. I heard that Blue Shield HMO and Kaiser offer basic eye exams? Do the Anthem PPO plans offer this as well?

A. The CalPERS PPO plans do not.

Q. For PERS Choice, Care & Select - for emergency services, do Tier II vs. Tier I apply?

A. A PERS Select member will not be penalized if they receive hospital services at a Tier 2 or Tier 3 facility in an emergency situation.

Q. How does one access the hearing aid purchase benefit under PERS Choice or PERS Select? The Anthem Blue Cross PPO network includes hearing aid dispensers.

A. These providers can be found through the provider finder tool under the Anthem Blue Cross/CalPERS microsite www.anthem.com/ca/calpers

Q. PERS Choice - we are an out-of-area county and currently receive 80/20 benefit even when using a non-provider. Will there be any change in this for 2011 for out-of-area counties?

A. No change in 2011.

Q. How soon will we know which hospitals will be in or out of PERS Select? Which will be in Tier 1 and which will be in Tier 2?

A. We will have this information available at health fairs and within the Anthem Blue Cross/CalPERS microsite at www.anthem.com/ca/calpers

Q. I live in a very high cost of living area, Monterey. Currently my hospital Community Hospital of Monterey is not in the Select Network. Will it be for 2011 and under which Tier?

A. Only Natividad Hospital will be considered Tier One in Monterey County.

Q. If I search for a hospital on the Anthem website now, how do I know which hospitals will remain and which will fall off the list as of 1/1/2011? Do you have a list of which hospitals are included?

A. Hospitals rarely drop their PPO affiliation with Anthem Blue Cross. At this time, we do not anticipate any hospitals dropping out of our PPO network.

Q. Will there be a holiday premium for the PPO plans this year?

A. CalPERS has not communicated a premium holiday for 2010.

Q. If we live in an area with only one hospital in the city, and it's ranked expensive, will members be penalized with the joint replacement facility reduced pricing if there is no option to travel elsewhere? Is there a cap on mile radius between hospitals or surgery centers for rural areas?

A. If the closest VBPB designated facility is 50 miles or more away from the member's residence the plan will reimburse for appropriate travel to that facility. This will be coordinated through case management prior to services being rendered.

Q. Is a \$250 hospital copay per admission for bariatric surgery being added for 2011 for PPO's if the member does not use a Center of Expertise?

A. There are currently no benefits for bariatric surgery performed at a Non-COE for Basic plan members who reside in California. That is not changing in 2011. The \$250 copay addition only applies to out of state Basic plan members.

Q. PPO Plans Medical Benefits Change Summary Chart – please confirm which plans are going to remove the \$2 million lifetime maximum limit?

A. PERS Choice and PERS Select will both be dropping the \$2 million lifetime maximum benefits effective January 2011.

Q. Can you explain what a co-insurance would be (come into effect) under the PERS Select? Will the PERS Select area availability be expanded? i.e. available in Bay Area?

A. The coinsurance arrangement under PERS Select is currently identical to PERS Choice. Effective in 2011, a narrow hospital network is being introduced to PERS Select. Tier one hospitals will be covered at the existing 80/20 coverage level, but Tier two hospitals will be covered at a reduced 70/30 coverage level. Additionally, the maximum out of pocket liability in using Tier two hospitals would be doubled to \$6,000 individual/\$12,000 family. The PERS Select plan coverage area is not expanding in 2011; Marin, Alameda, Solano and Placer counties will remain ineligible for PERS Select enrollment.

Q. Any restrictions on seeking massage therapy? (e.g. has to be recommended by the physician).

A. Massage therapy is not a covered benefit of the CalPERS PPO plans.

Q. We are an out-of-area County and presently receive 80/20 coverage even when using a non-provider. Will there be any change to this for out-of-area counties?

A. There will be no change to this arrangement in 2011.

Q. Will the PPO plans offer any coverage for non-vital organ transplants? And will they cover the medications required for non-vital organ transplants? (non-vital organ transplants are hands or limbs)

A. CalPERS has not added this coverage for 2011.

Q. Will you be talking about any changes that may be affecting the PORAC Blue Cross PPO plan?

A. There are no 2011 plan changes for PORAC.

Q. Will rates be increasing for the PORAC Blue Cross PPO Plan?

A. The PORAC Police and Fire plan will have an 8.94% rate increase in 2011.

Q. If our employee is already a member of Weight Watchers or 24-Hour Fitness can they still get the discounts?

A. They should discuss with the vendor directly.

Q. Does Anthem Blue Cross have contracted discounts with Ballys, Gold's Gym or CURVES?

A. Through *SpecialOffers* there are several vendors who provide discounts to Anthem members, including gyms. The member should review the website and see what vendors participate in their area.

**Medco
Pharmacy Benefits Plan (PPO)
Questions and Answers**

Q. Does Medco have a Website for members to view their prescriptions and year-to-date paid co-payments?

A. Yes, the Medco Website is www.medco.com/calpers. Once you register on the Website, you can view your prescription claim history and year-to-date co-payments, order refills, price a medication, access health and wellness information, and more 24-hours a day, 7 days a week.

Q. Where are mail orders shipped from?

A. The **Medco Pharmacy™** mail-order service operates nine mail-order pharmacies across the United States. A majority of CalPERS members who are living in California will receive their medication orders from our pharmacy in Las Vegas. However, some orders may be shipped from other locations, based on factors such as type of medication and shipping destination.

Q. What are examples of maintenance medications?

A. Maintenance medications are those taken on a long-term basis to treat conditions such as arthritis, diabetes, or high blood pressure. Maintenance medications are usually taken for longer than 60 days.

Q. On the website provided in the presentation, I do not see information about open enrollment or the 2011 benefit. Has it been posted yet?

A. The new 2011 links will be posted on the Medco Website, www.medco.com/calpers, by the beginning of CalPERS open enrollment on September 13, 2010.

Q. Does Medco only support the CalPERS PPO plan participants?

A. Yes, Medco only supports the prescription benefit for the CalPERS PPO plans, PERS Choice, PERS Select, and PERSCare.

Q. Can you clarify the OTC alternative coverage, ie Prilosec. If the doctor writes a prescription for a generic Prilosec, will it be covered or not now that Prilosec is sold over the counter?

A. Beginning January 1, 2011, prescription medications for which OTC alternatives are available will no longer be covered. Examples include hydrocortisone, *Zantac*, *Pepcid*, and various allergy medications, such as *Xyzal*, *Allegra D*, and fexofenidine. The plan has not changed coverage for Proton Pump Inhibitors (PPIs) such as *Prilosec*. For example, prescription *Prilosec* (brand) and omeprazole (generic) will be covered at the appropriate co-payment amount if ordered with a valid doctor's prescription. The OTC versions of *Prilosec* and omeprazole may be purchased without a prescription but will not be covered under the benefit.

Q. Can you give an example of a prescription drug that may have an OTC alternative that disqualifies it from coverage?

A. Beginning January 1, 2011, prescription medications for which OTC alternatives are available will no longer be covered. Examples include hydrocortisone, *Zantac*, *Pepcid*, and various allergy medications, such as *Xyzal*, *Allegra D*, and fexofenidine.